



Preliminary Overview of Current Economic Conditions

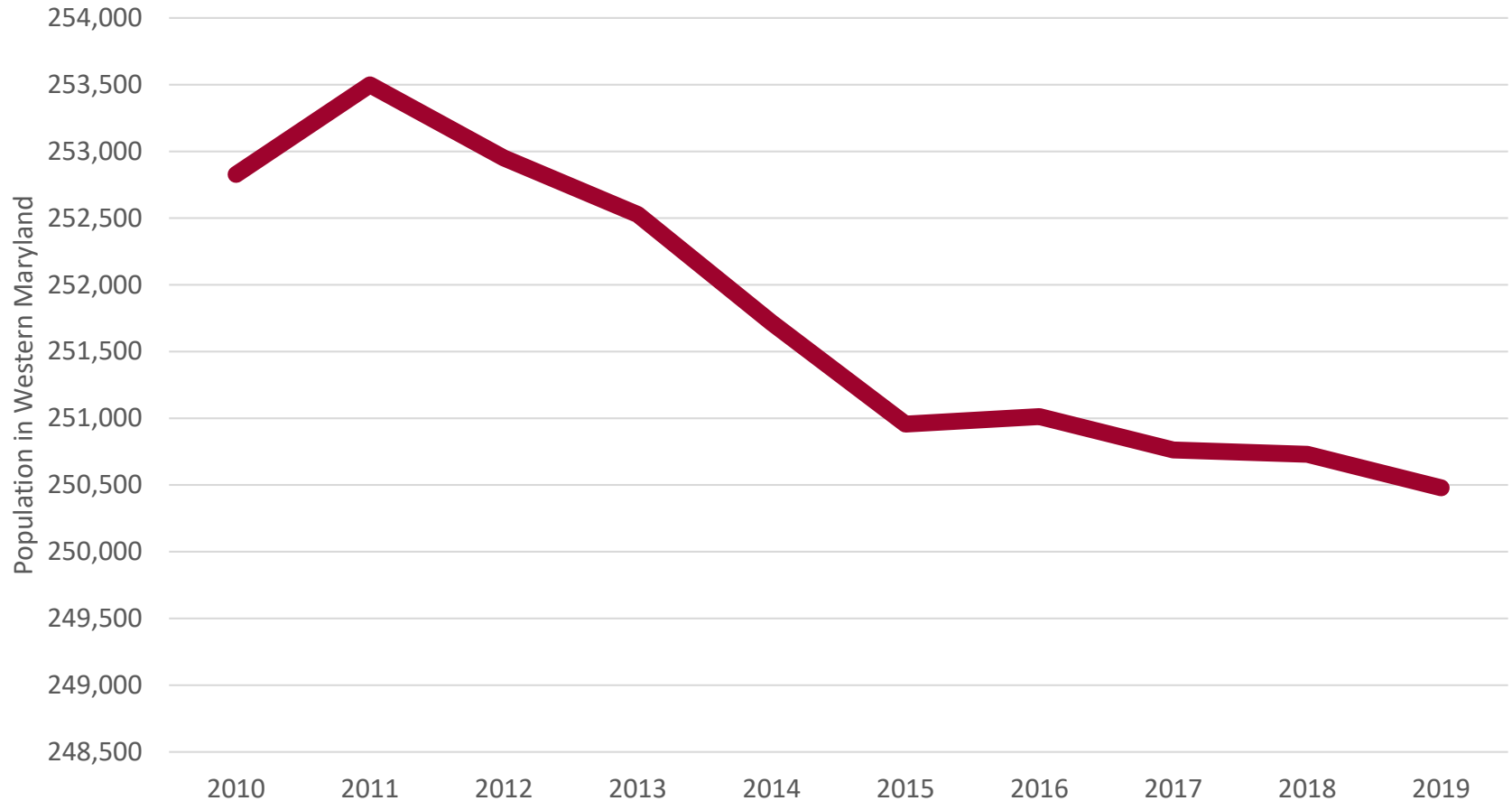
**Task Force on the Economic Future of
Western Maryland**

September 23, 2020

Agenda

- Demographics
- Economic conditions
- Recap of key considerations

Western Maryland's Population has Experienced a Slight Decline Recently

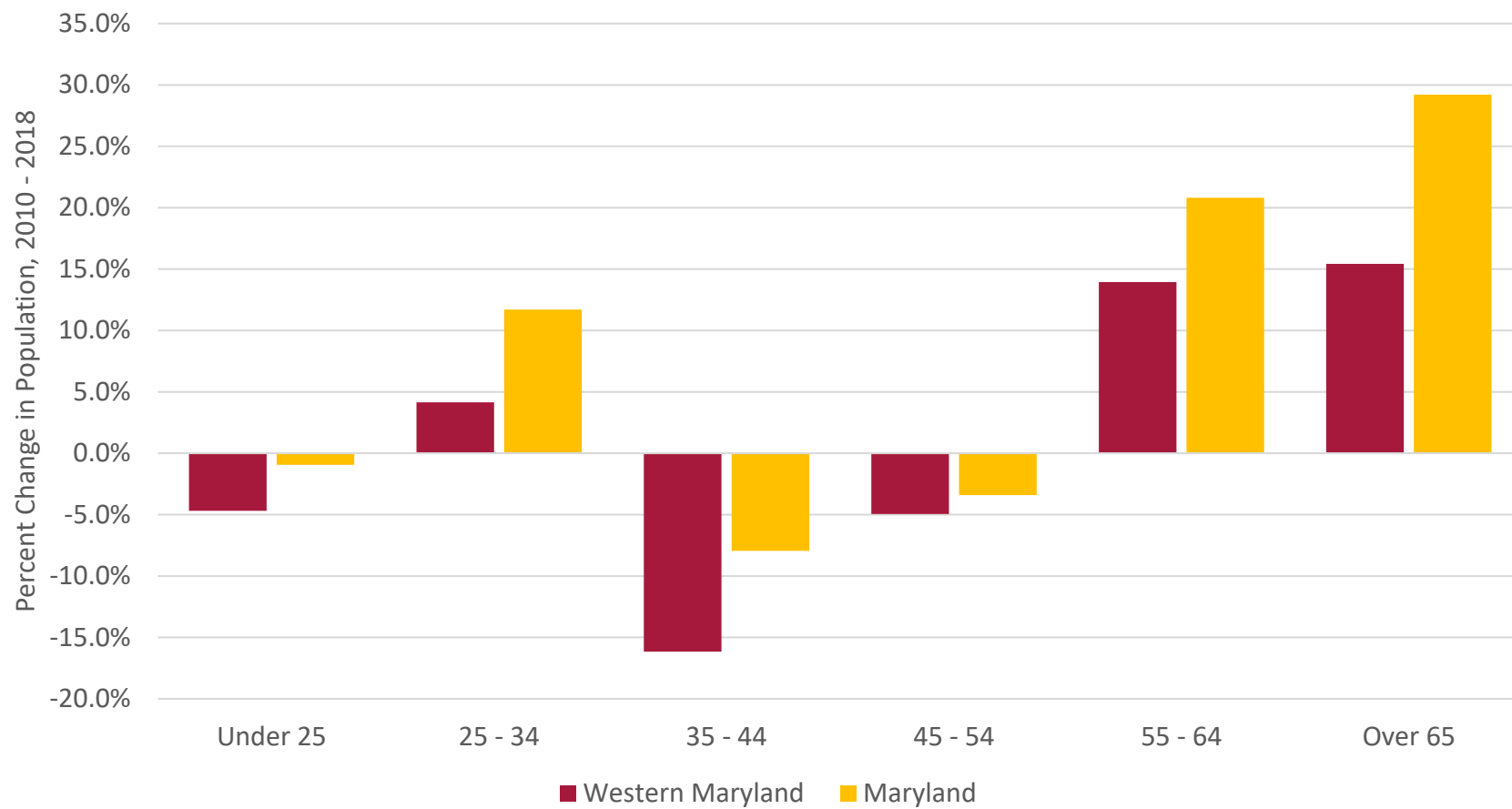


...But the Change in Population is not the Same Everywhere

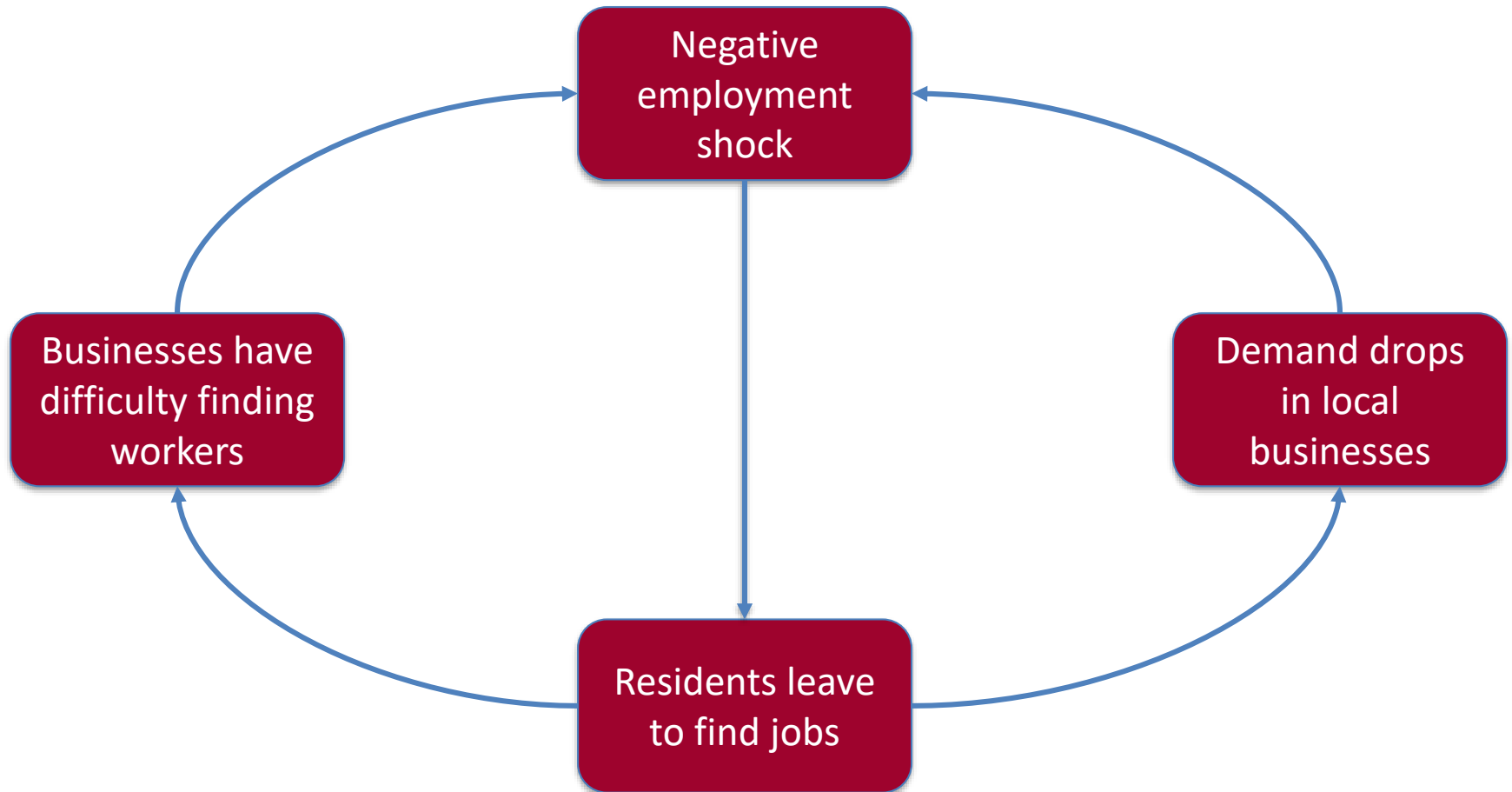
Area	Change in Population 2010 - 2019	Percent Change in Population 2010 - 2019
Allegany County	-4,549	-6.1%
Garrett County	-1,127	-3.7%
Washington County	3,328	2.3%
Western Maryland	-2,348	-0.9%
Maryland	257,035	4.4%



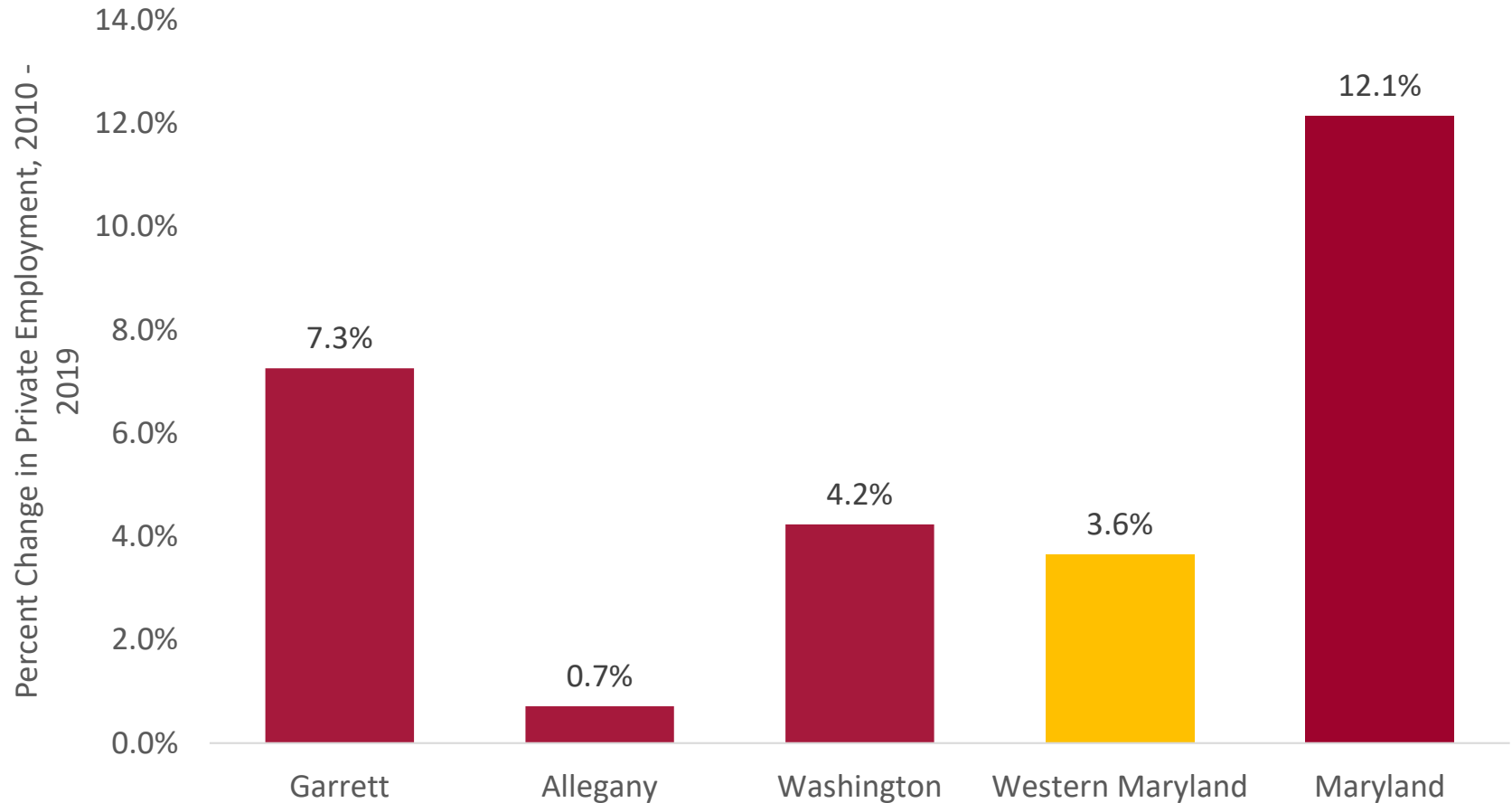
Regional Population Growth is Slower For All Age Groups, and Weakest for Those Aged 35-44



Declining Population Can Be a Vicious Cycle



Employment in the Region Has Risen, Though Slower than the State Average



Why Does This Matter?

- These cycles can be difficult to break, and it is a struggle playing out across the country, especially in more rural areas.
- Good news is employment is still rising.
- There is a resistance to moving away from your community, which can help slow/reverse the trend
 - Family ties
 - Familiarity
 - Moving is expensive



How Can Shocks be Mitigated?

- Stopping initial employment shocks is difficult.
 - Often due to structural reasons, like outsourcing.
 - Some businesses can be retained, but at what cost?
- To reduce outmigration, new employment opportunities are needed.
 - Business recruitment from outside the region
 - Developing entrepreneurship in the region/growing existing businesses



How Can Shocks be Mitigated?

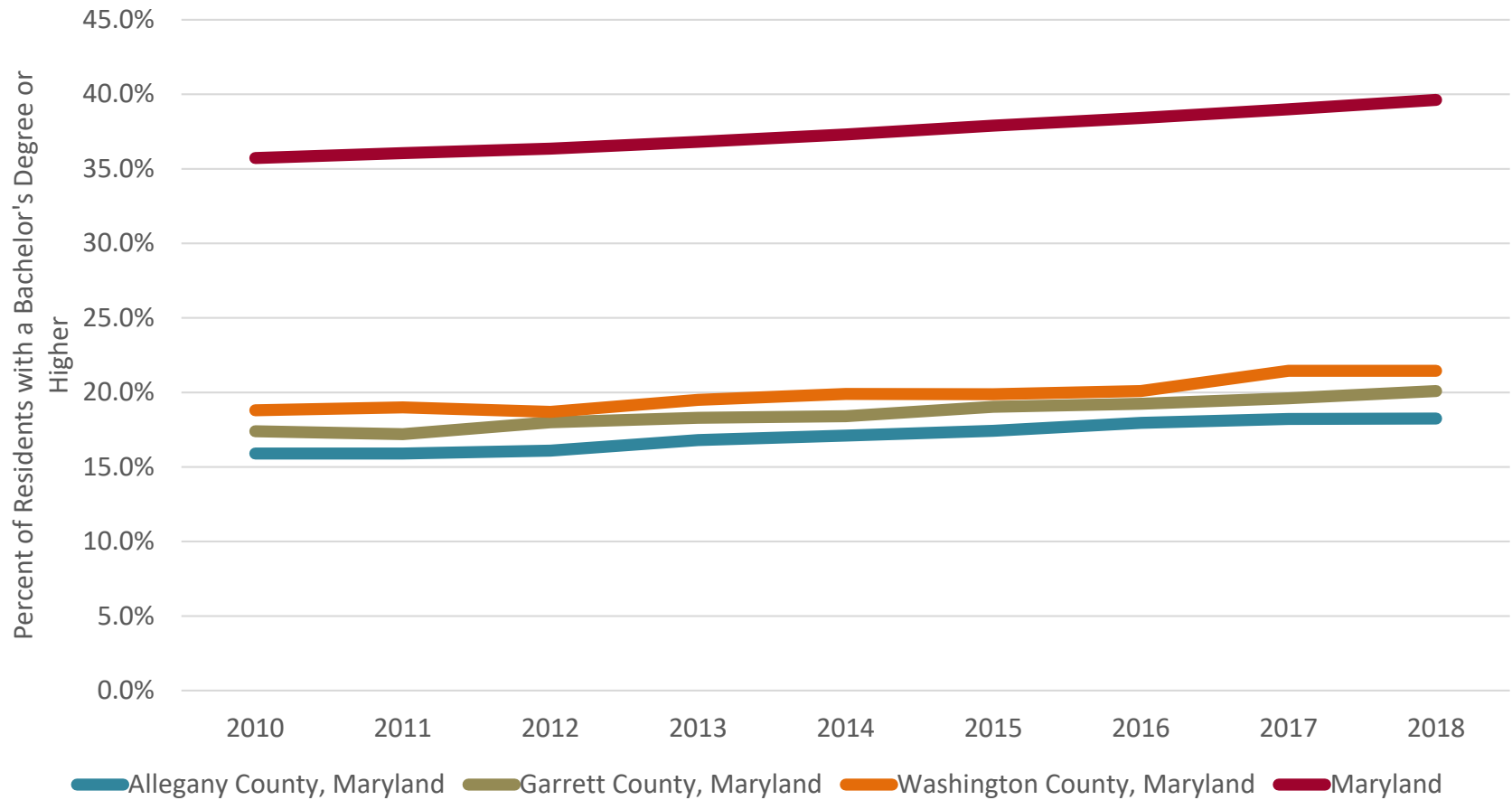
- To counter decreased demand due to residents leaving, find ways to bring in new demand from outside the region.
 - Tourism
 - New residents
- If businesses have trouble finding enough workers, focus on education and training opportunities.

How Can Shocks be Mitigated?

- Correcting downward trends in population and economic dynamism take time
 - Plan with a long time horizon
- No single approach will work. If possible, work on multiple strategies.
 - Multiple strategies reinforce each other
 - Ex: Entrepreneurs more likely to take a risk if other employment opportunities exist in the region.



Residents of Western Maryland are Less Likely to Have an Advanced Degree



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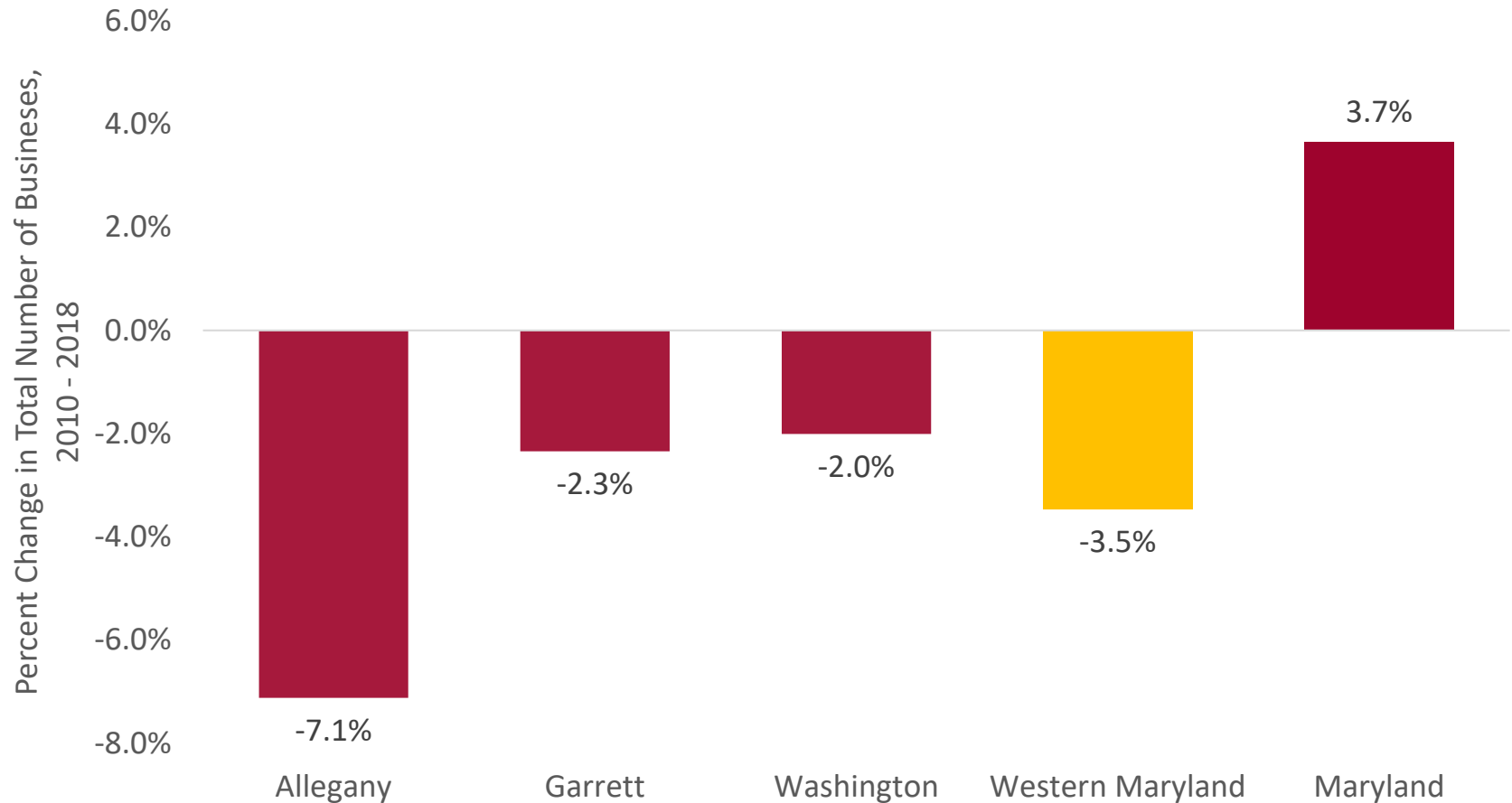
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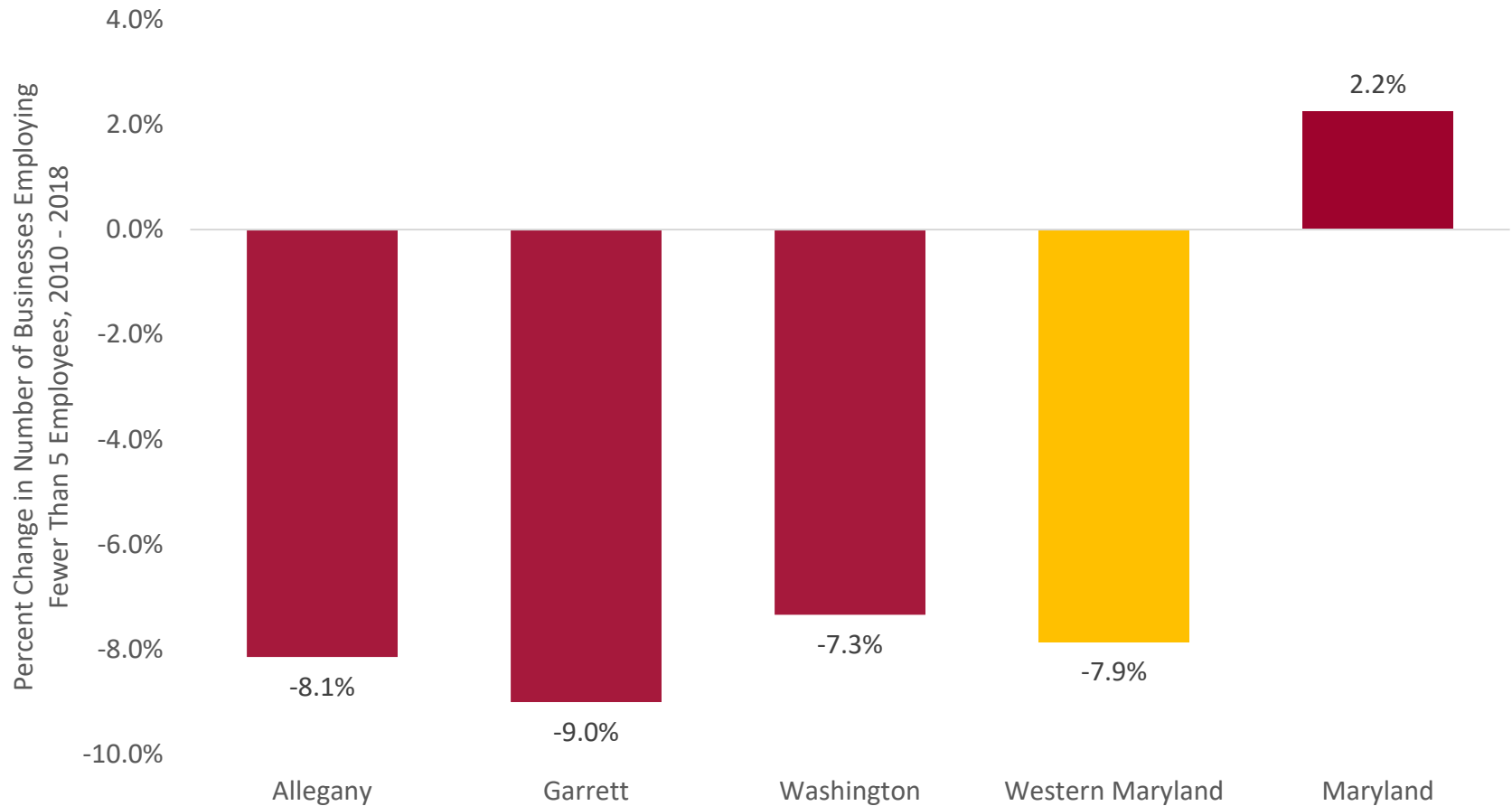
Why Does This Matter?

- When thinking about key industries to target, a critical component will be providing a workforce with the desired qualifications.
- For example, expanding a focus on healthcare may require additional collaboration with Frostburg State.
- Or, recommendations can focus on industries which suit the existing workforce and can be supported quicker.

The Number of Businesses is Declining in Western Maryland



...This is True for Small Firms as Well



Why Does This Matter?

- As mentioned earlier, employment in the region has risen, meaning employment is becoming more concentrated.
- Nationwide, large businesses are more responsible for net job gains than smaller businesses.
 - 0.3% of the country's biggest firms supported 36% of net new jobs.
- However, attracting and retaining larger businesses (>500 employees) is difficult

Why Does This Matter?

- Large businesses have different needs than small businesses and some, like a deep employment pool, can be hard to provide in smaller cities/counties.
- Large businesses also pose more risk. One business closure is more economically devastating if the company is large than if it is small.

Why Does This Matter?

- Promoting startups are a way around the reliance on larger firms and associated risk.
 - Use homegrown talent
 - Greater ties to the community
 - Can grow quickly and more cost effectively
- Startups are more volatile, but can be a more cost effective way to develop a local economy

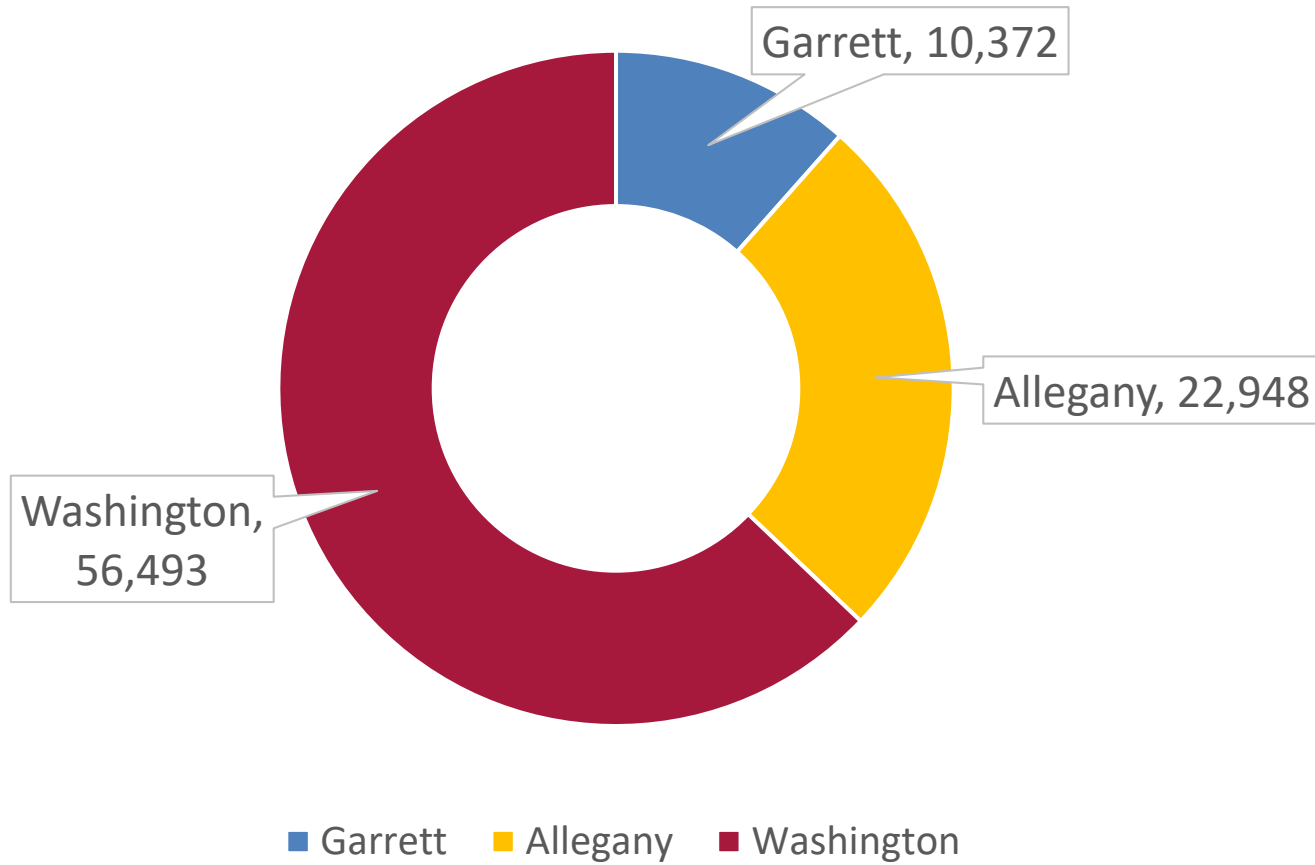




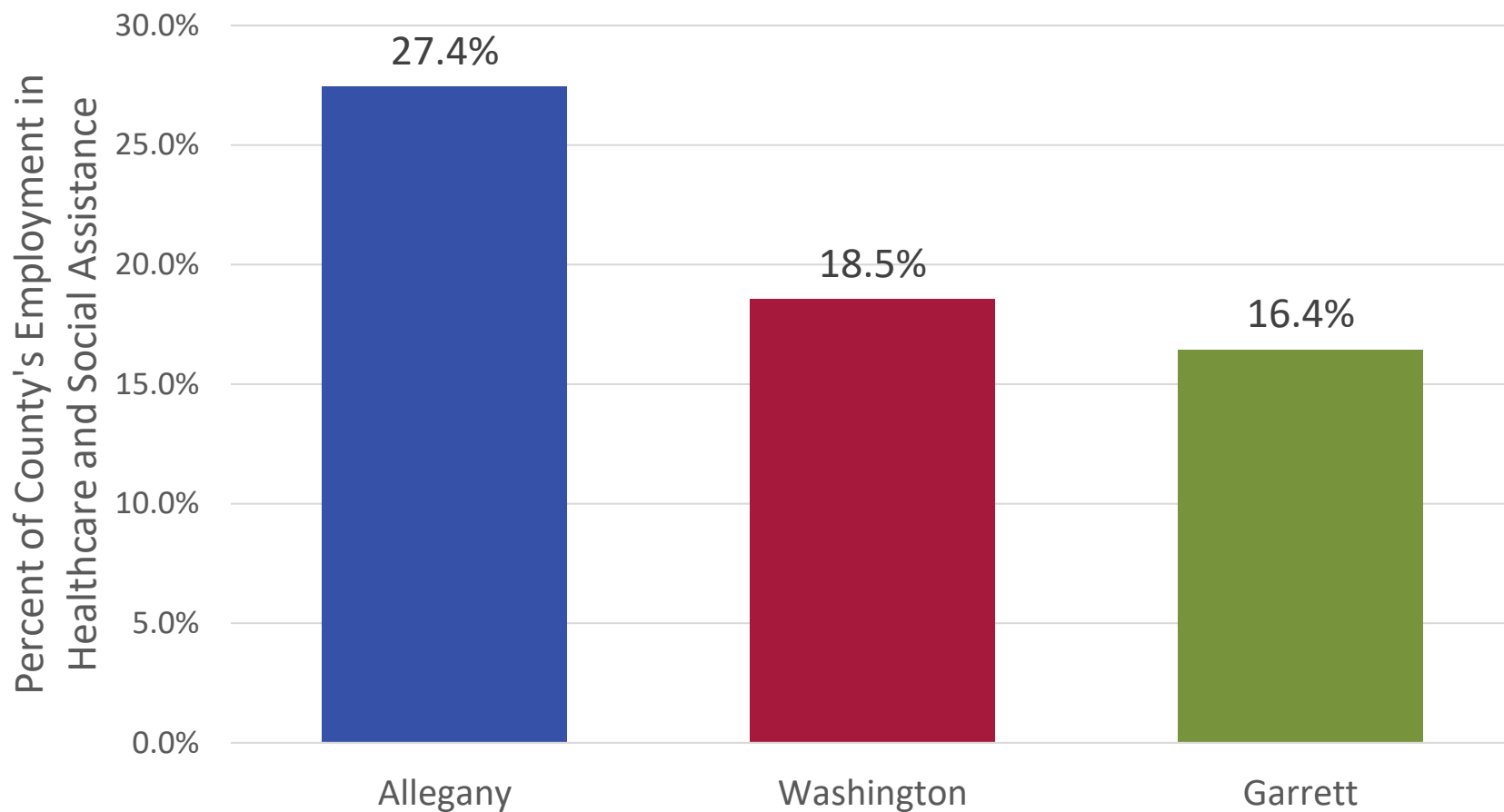
Why Does This Matter?

- As this body develops recommendations, deciding the types of businesses to support (large, small, startups) will impact any eventual policy options, as they have different needs.

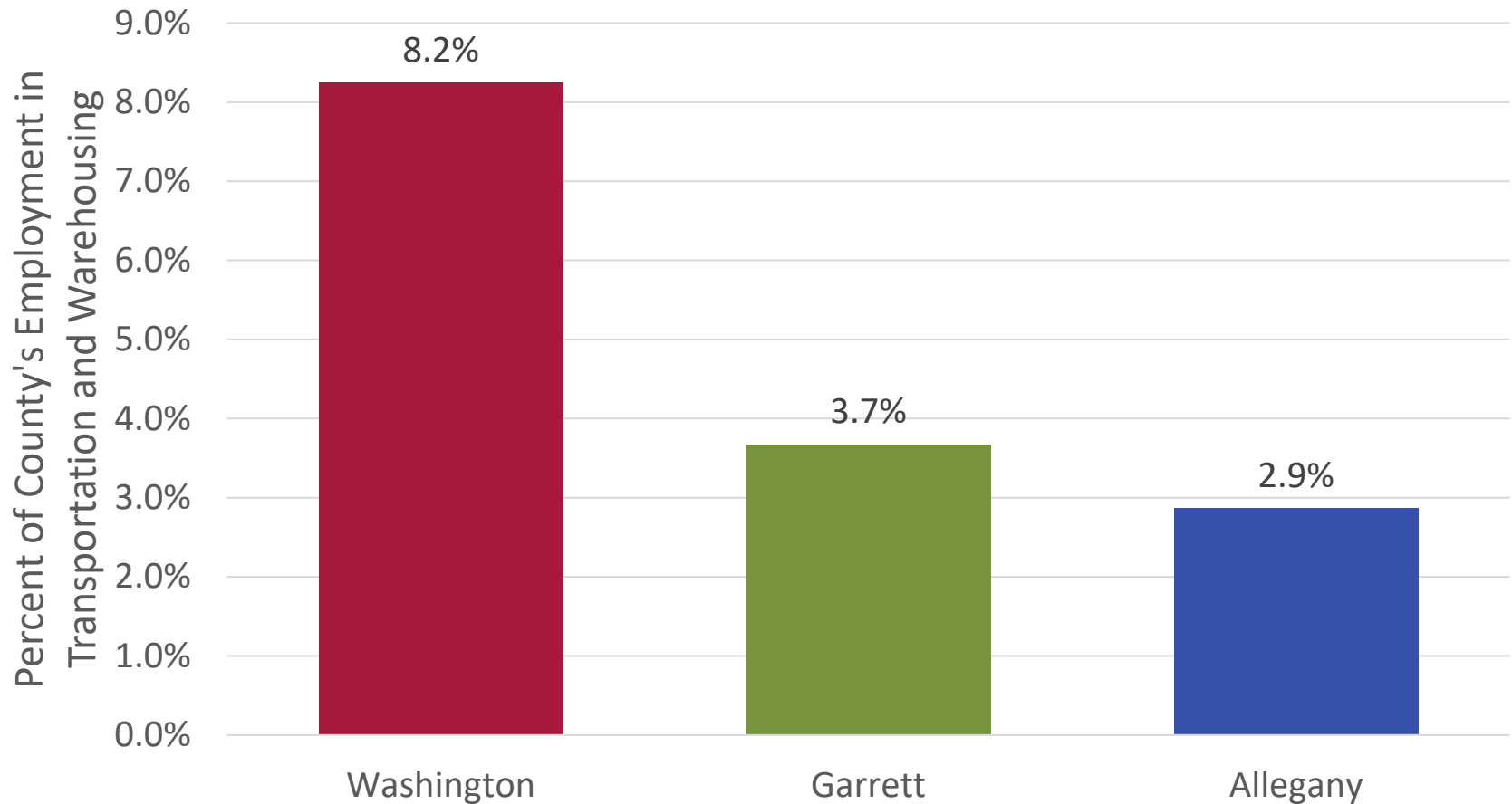
60% of the Region's Employment is in Washington County



Employment Patterns Vary By County As Well, Such as in Healthcare and Social Assistance



...Or Other Key Industries Like Transportation and Warehousing

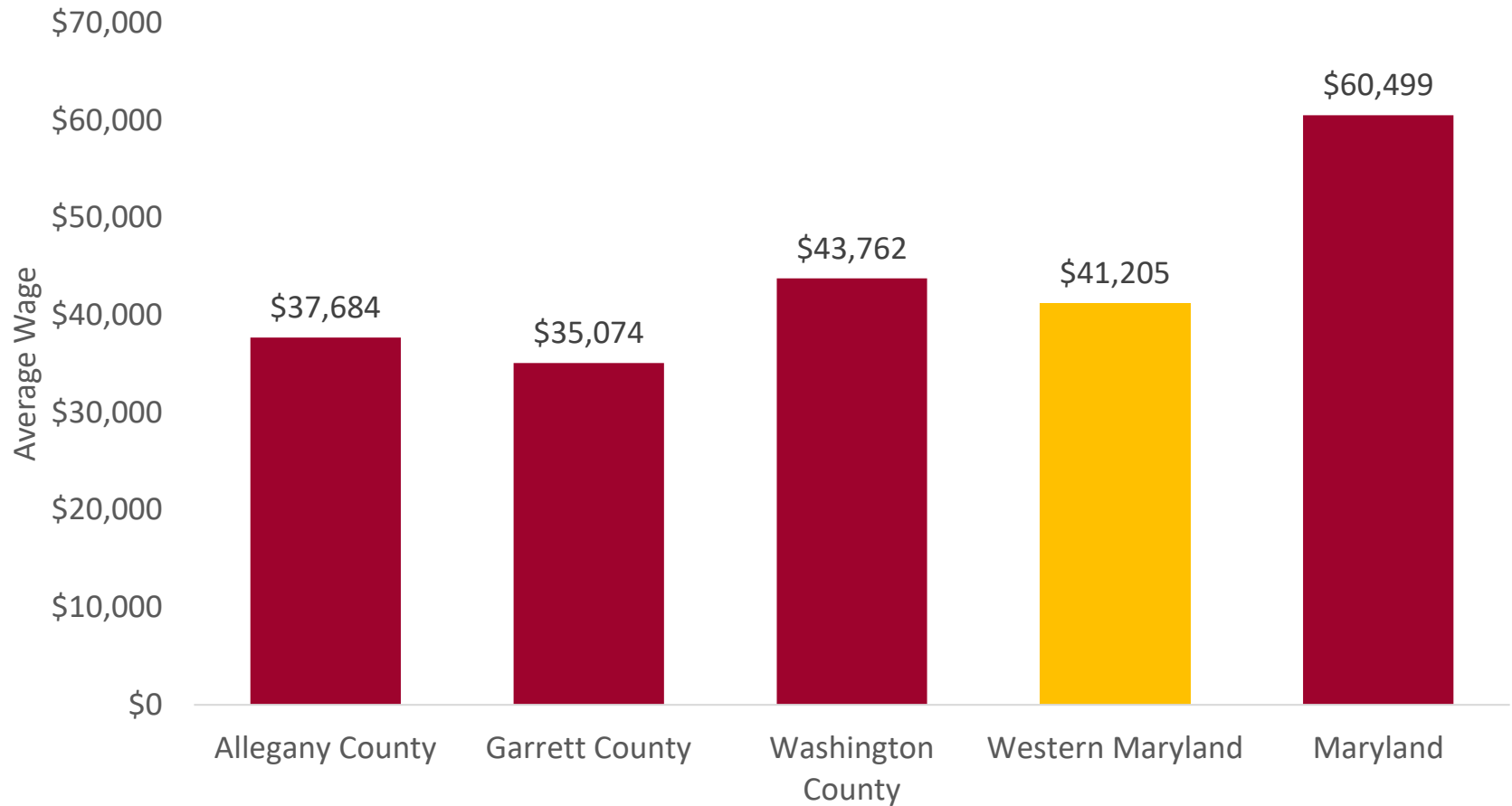


Why Does This Matter?

- Western Maryland is not homogenous and no one strategy will work equally well in each county.
- But employment and population are also not distributed equally across the region.
- Basing recommendations on region-level data alone may miss strategies that work best in Garrett and Allegany Counties.



Wages in Western Maryland are Below the State Average

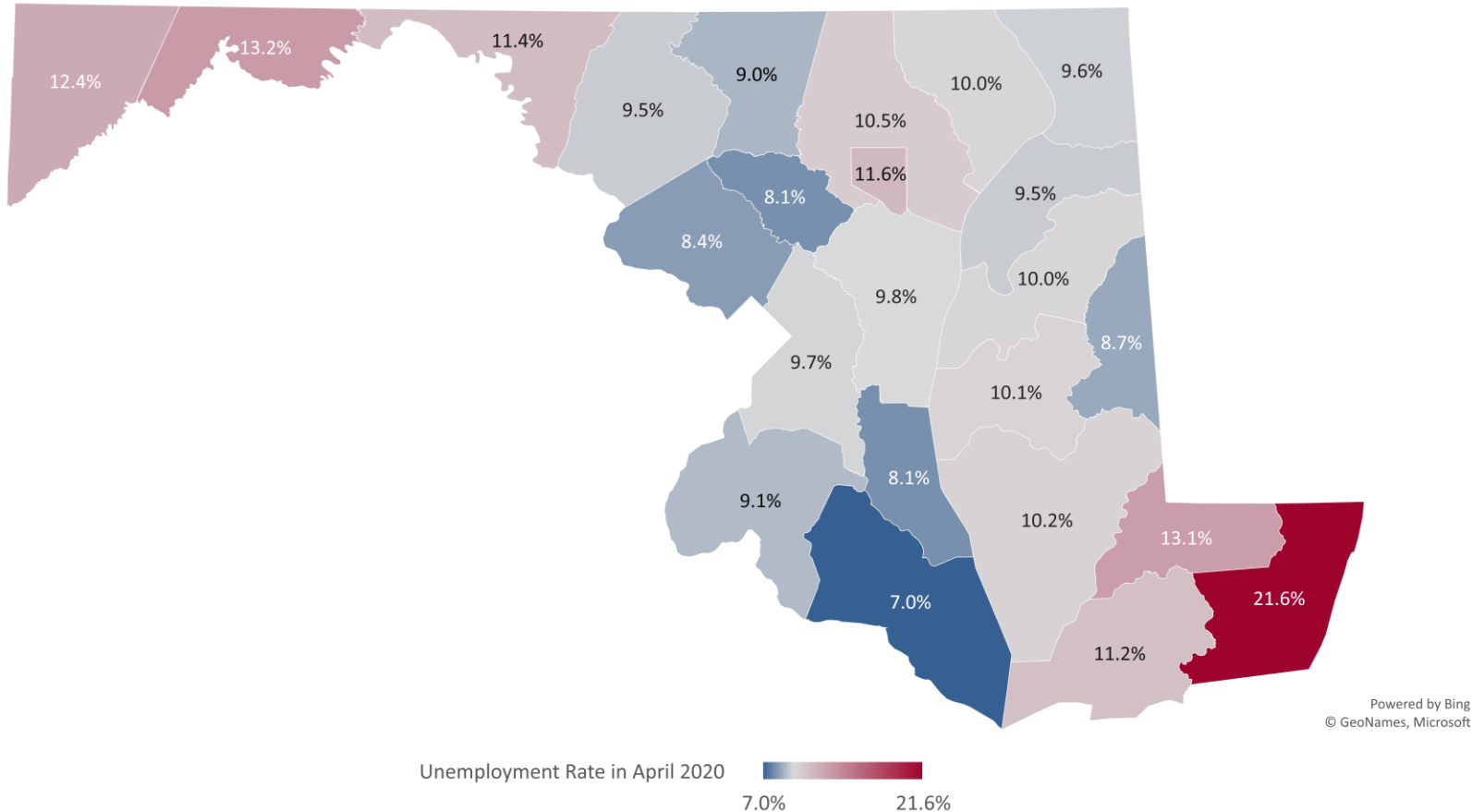


Why Does This Matter?

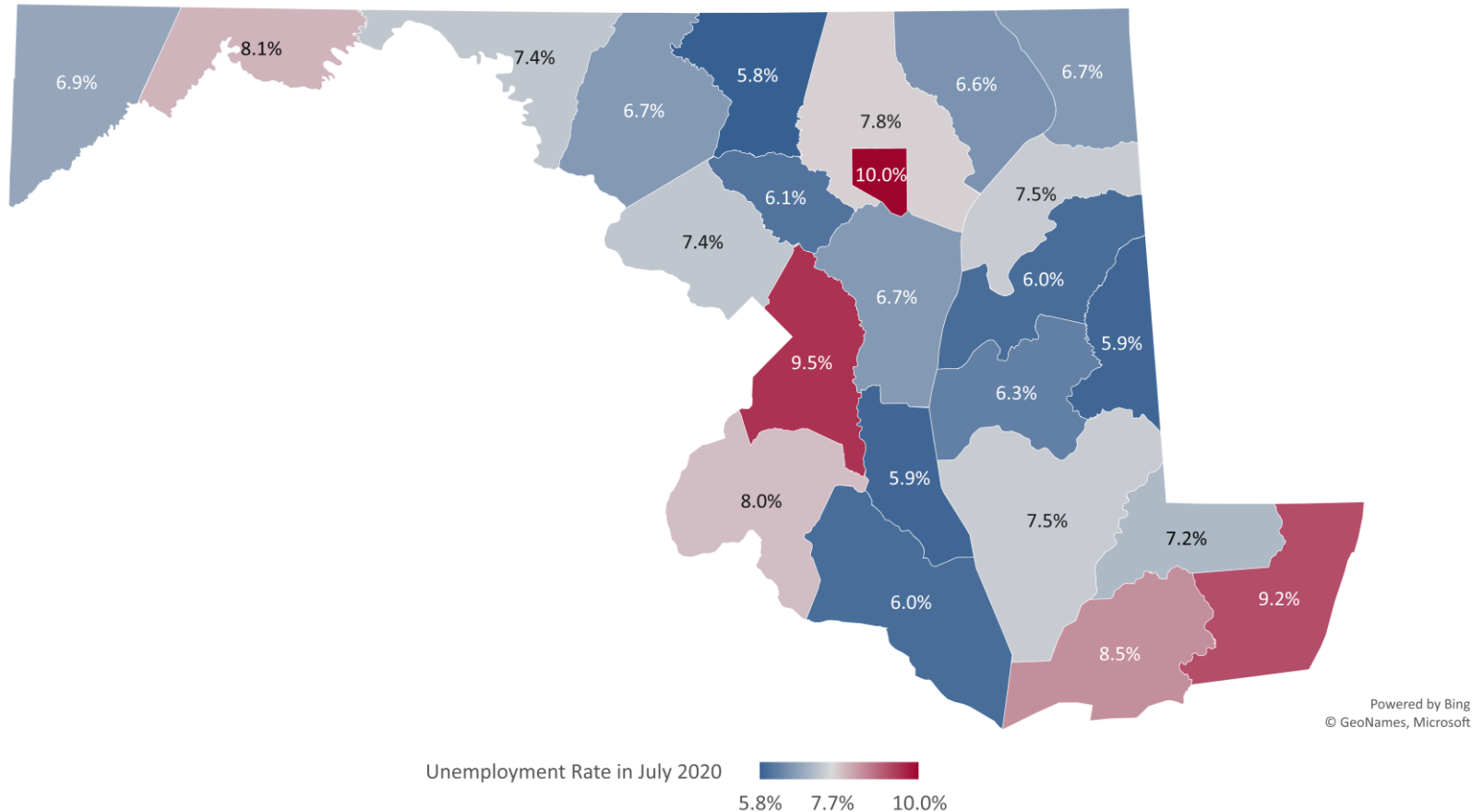
- Lower average wages are due to several reasons:
 - Lower cost of living means salaries do not need to be as high to attract labor as in other counties
 - The region's industry mix is slightly weighted towards lower-paying industries
- Lower cost of living provides an opportunity to attract both businesses and residents
 - Businesses can still access customer bases with lower rents
 - Remote work?



In April, Western Maryland had Unemployment Rates Above the State Average...



...By July, Unemployment Rates had Generally Dipped Below the State Average



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Why Does This Matter?

- Western Maryland has been able to recover at a faster rate than the state as a whole largely due to lower incidences of COVID-19.
- In Garrett and Allegany Counties, the labor force has remained flat since April, signaling that there is still a long way to go in recovering.



What are Some Potential Strategies for Future Economic Development in Western Maryland?

- Focus on industries where Western Maryland already has a competitive advantage
- Attract businesses in key industries to develop new strengths
- Develop homegrown talent and support local entrepreneurs
- Increasing population through focus on remote work
- Grow local demand for services by increasing tourism

What Industries Does Western Maryland Have a Competitive Advantage in?

- We can measure this through the use of a location quotient.
- Location quotients tell us how concentrated employment is in a given industry relative to the country (or state) as a whole.
- Areas with location quotients above 1.5 generally are those where the region has some advantage

Measuring Industries

- Industries are traditionally categorized by NAICS code.
- But similar industries have different NAICS codes.
- Industry clusters, as defined by Harvard Business School and US Department of Commerce, help simplify some of the analysis by combining similar industries.

Top Ten Clusters in Western Maryland by Location Quotient

Cluster Name	Average Annual Employment	US Based Location Quotient	Average Wage
Recreational and Small Electric Goods	819	6.42	\$40,386
Coal Mining	247	6.31	\$78,811
Furniture	1,131	4.22	\$38,797
Production Technology and Heavy Machinery	1,926	2.78	\$77,226
Local Logistical Services	4,651	2.48	\$44,397
Paper and Packaging	524	2.02	\$92,692
Financial Services	2,724	1.93	\$64,520
Printing Services	583	1.88	\$54,107
Apparel	160	1.72	\$31,787
Textile Manufacturing	229	1.63	\$46,773

Top Ten Subclusters by Location Quotient in Western Maryland With Over 150 Employees

Subcluster Name	Average Annual Employment	Location Quotient	Average Wage
Recreational and Decorative Goods	819	12.26	\$40,386
Agricultural and Construction Machinery and Components	1,826	9.04	\$79,325
Wood Cabinets and Woodwork	899	7.83	\$36,449
Coal Mining	247	6.31	\$78,811
Soft Drinks and Ice	419	5.79	\$47,068
Support Services	565	5.59	\$29,546
Paper Mills	371	5.47	\$107,284
Dyes, Pigments and Coating	198	5.17	\$63,765
Gardening Products and Supplies	668	4.32	\$34,796
Retailing			
Credit Intermediation	2,541	4.03	\$59,475



Location Quotients for Industries Highlighted in Task Force Statute

Cluster Name	Average Annual Employment	Location Quotient	Average Wage
Production Technology and Heavy Machinery	1,926	2.78	\$77,226
Local Logistical Services	4,651	2.48	\$44,397
Electric Power Generation and Transmission	158	1.29	\$100,774
Hospitality and Tourism	2,212	0.94	\$21,733
Distribution and Electronic Commerce	3,476	0.81	\$42,965
Transportation and Logistics	861	0.67	\$46,467
Aerospace Vehicles and Defense	260	0.55	\$113,655
Business Services	3,218	0.49	\$57,309
Information Technology and Analytical Instruments	157	0.16	\$47,799
Biopharmaceuticals	4	0.02	\$3,747

Why Does This Matter?

- Every industry is unique, and will have different barriers and challenges. In designing policies to strengthen these industries, talking with key stakeholders is critical.
- Key areas of focus could include:
 - Availability of skilled workers
 - Access to customers
 - Local supply chain
 - Regulatory and tax issues

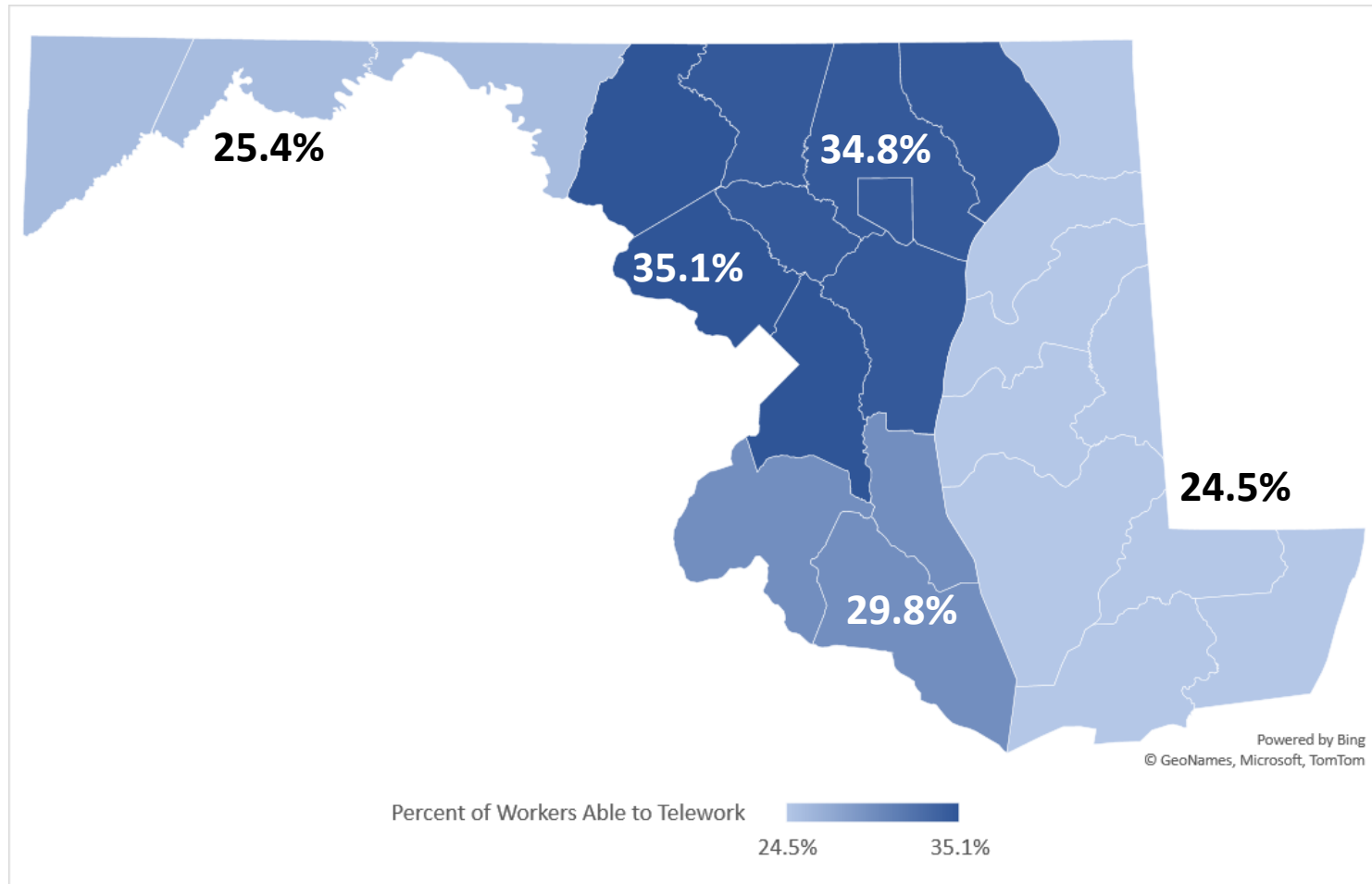
Why Does This Matter?

- Many of the industries specified in the statute for this task force have low location quotients.
- Building these industries up will require a lot of time and resources.

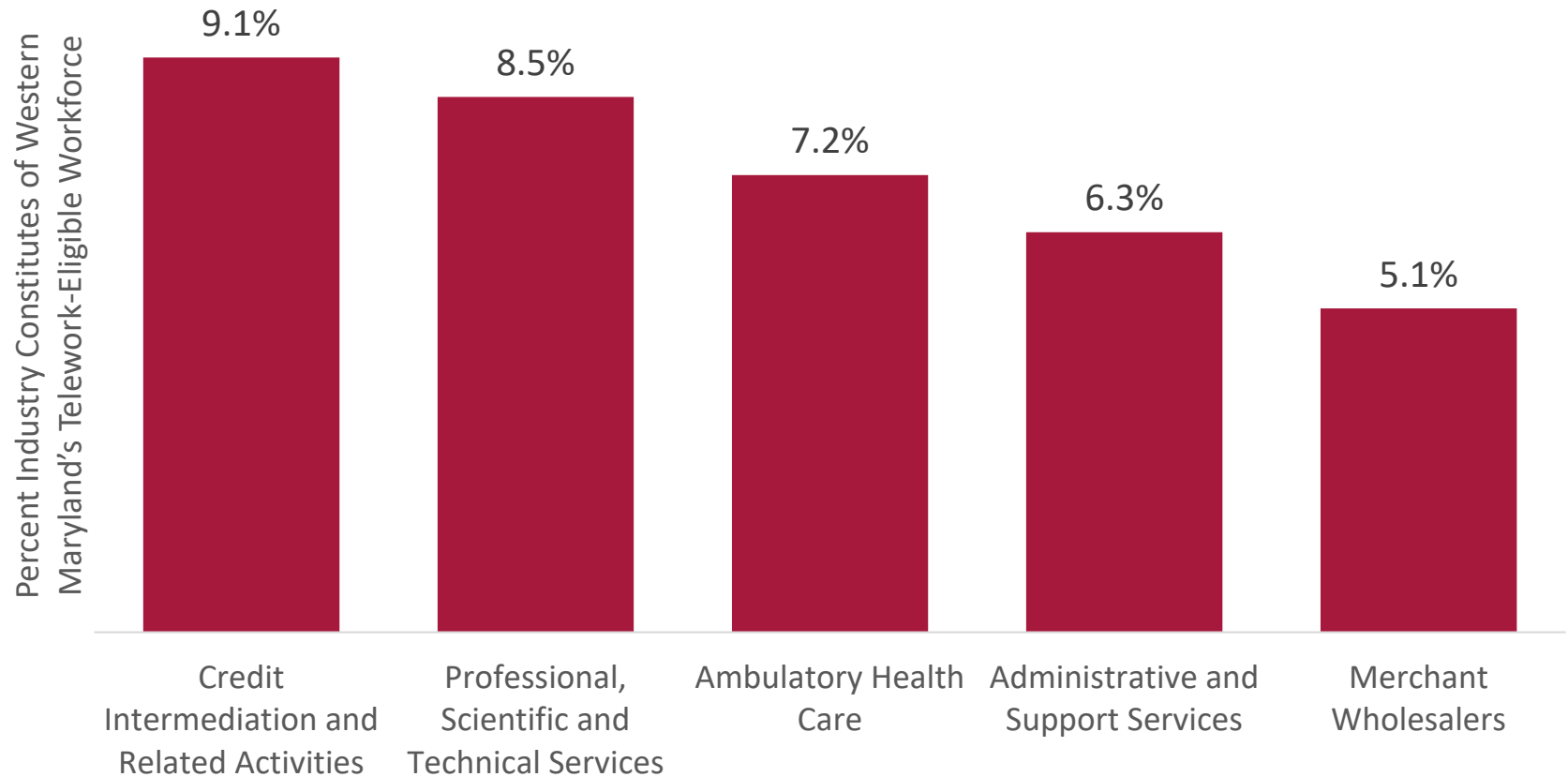
Remote Work is Gaining in Popularity

- In 2017-2018:
 - **29%** of workers could work from home
 - **8%** worked from home at least 1 day a week
- Currently, some estimates are up to **half** of the workforce is working remotely
- Recent literature estimates that approximately **34%** of private-sector jobs in Maryland can be done from home.

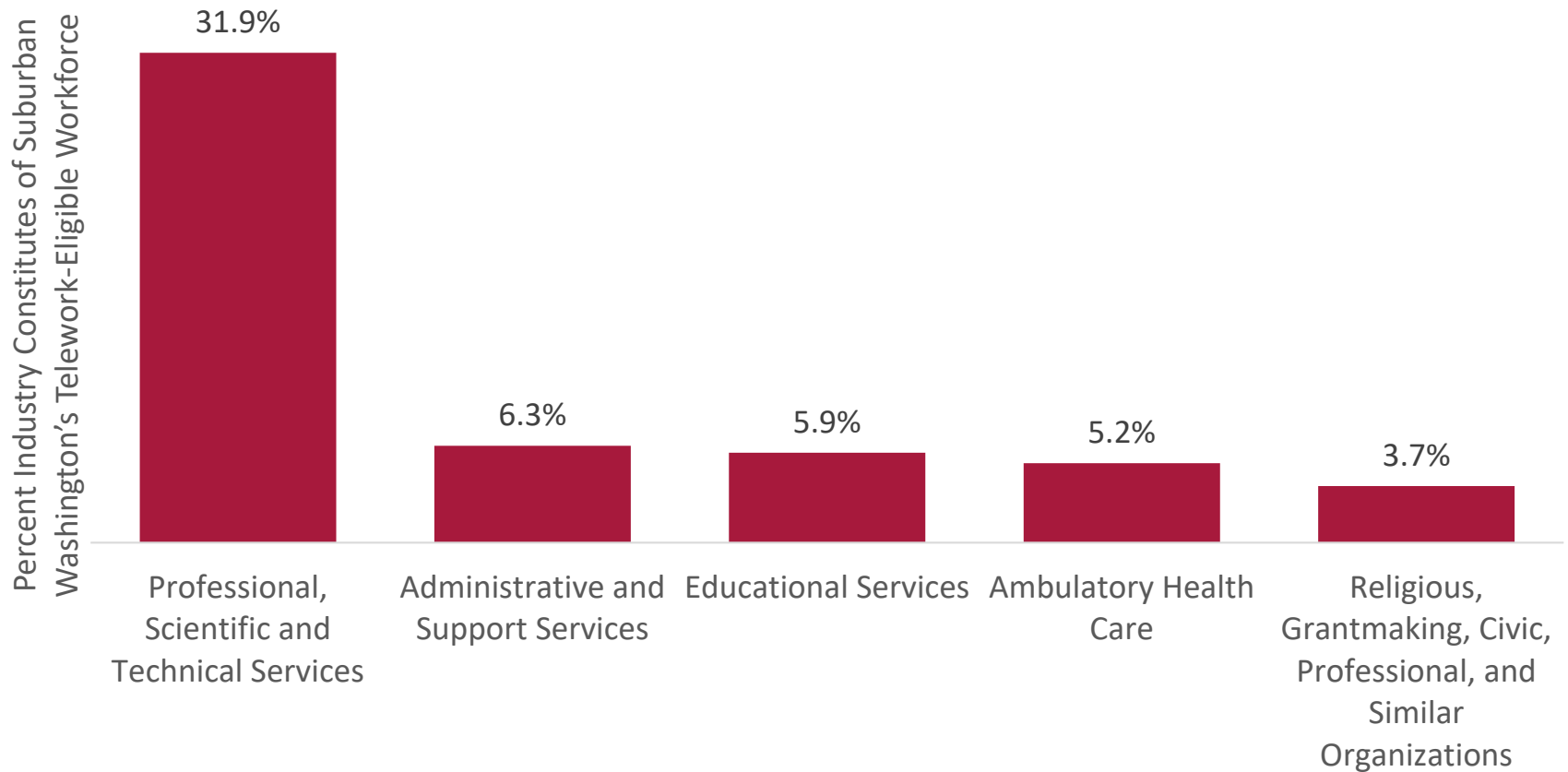
The Percent of the Workforce Eligible to Work Remotely Varies by Region



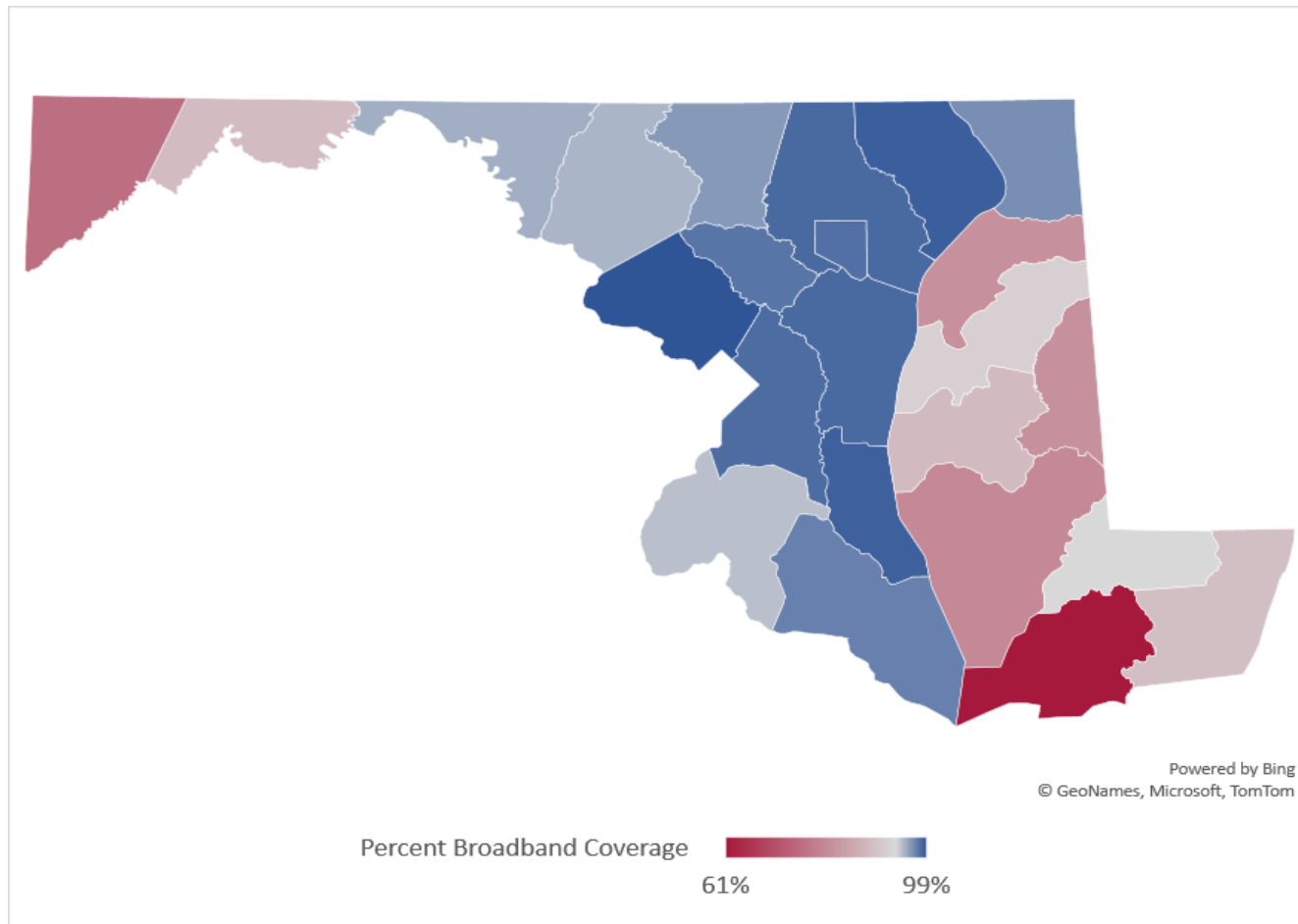
Top 5 Industries in Western Maryland for Remote Work



Top 5 Industries in Suburban Washington for Remote Work



Providing Access to Broadband is Critical to Empowering Western Maryland



Why Does This Matter?

- Rise in remote work is unlikely to mean everyone works remote full-time.
 - Instead, likely that many workers are in the office part time.
- This poses an opportunity for Western Maryland relative to Washington DC and the suburbs.
 - MARC stations make occasional commuting more tolerable
 - Lower cost of living than suburbs of Washington DC
- Providing services for these workers is critical





Recap of Key Questions for Developing Recommendations

- How do we create new employment to guard against shocks?
 - Support established industries and businesses?
 - Try to attract companies to locate in Western Maryland?
 - Build new companies by supporting entrepreneurs?
- Do we want to focus on the region's existing strengths or try and develop new strengths?

Recap of Key Questions for Developing Recommendations

- How does the existing workforce impact the types of industries we want to focus on?
 - Will new training/education be needed?
 - How difficult will it be to retrain (degrees vs certifications)?
 - How long will these programs take?
- How should strategies be designed/measured?
 - Based on regional data or county-level data?
 - What timeline should be used to gauge effectiveness?

Recap of Key Questions for Developing Recommendations

- What size of company are we interested in supporting/attracting?
- What business needs will have the most impact if targeted in our recommendations?
 - Workforce?
 - Supply chains?
 - Customer base?
 - Regulatory/tax environment?

QUESTIONS?

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